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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of its Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets for Program Years 2015-2017.	A. 14-11-007 (Filed November 18, 2014)
And Related Matters.	A. 14-11-009 A. 14-11-010 A. 14-11-011

EX PARTE NOTICE OF THE NATURAL RESOURCES DEFENSE COUNCIL (NRDC) ON BEHALF OF THE JOINT ESAP LETTER SIGNATORIES

November 3, 2016

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OF THE STATE OF CALIFORNIA

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Pursuant to Rules 8.2, 8.3, and 8.5 of the California Public Utilities Commission's Rules of Practice and Procedure, the Natural Resources Defense Council (NRDC) hereby gives notice of the following ex parte communication. The communication was by e-mail at approximately 1:40 pm on Thursday, November 3, 2016. On behalf of the joint ESAP letter signatories, Maria Stamas, Attorney at NRDC, sent the email included as Attachment A to: President Picker, Commissioner Peterman, Commissioner Sandoval, Commissioner Florio, Commissioner Randolph, and Commissioner Sandoval as well as their respective advisors: Nick Chaset, Scott Murtishaw, David Gamson, Jen Kalafut, Sepideh Khosrowjah, Matthew Tisdale, Ditas Katague, Michael Colvin, Rachel Peterson, and Sean Simon. The email included an attachment to a joint letter on the forthcoming vote on the Energy Savings Assistance Program draft decisions, also attached here as reference.

Dated: November 3, 2016

Respectfully submitted,

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Attachment A

From: Stamas, Maria
To: "MP6@cpuc.ca.gov"; "NLC@cpuc.ca.gov"; "SGM@cpuc.ca.gov"; "LR1@cpuc.ca.gov"; "rachel.peterson@cpuc.ca.gov"; "sean.simon@cpuc.ca.gov"; "CAP@cpuc.ca.gov"; "DMG@cpuc.ca.gov"; "JMK@cpuc.ca.gov"; "DMK@cpuc.ca.gov"; "MC3@cpuc.ca.gov"; "CJS@cpuc.ca.gov"; "MF1@cpuc.ca.gov"; "SKH@cpuc.ca.gov"; "MWT@cpuc.ca.gov"
Cc: "edward.randolph@cpuc.ca.gov"; "jeanne.clinton@cpuc.ca.gov"; "ska@cpuc.ca.gov"; "carmen.best@cpuc.ca.gov"; "hazlyn.fortune@cpuc.ca.gov"
Subject: upcoming ESAP vote - updated letter of recommendations
Date: Thursday, November 03, 2016 1:40:00 PM
Attachments: ESAPLetterNov3-2016.pdf

Dear President Picker and Commissioners Peterman, Randolph, Florio, and Sandoval,

As you may be aware, updated draft decisions have been released on the future of the Energy Savings Assistance Program (ESAP). Attached, please find a joint letter recommending additional modifications to the recently revised Proposed Decision.

The Natural Resources Defense Council, California Housing Partnership, National Consumer Law Center, Build It Green, and Association for Energy Affordability all still support Commissioner Sandoval's Alternate Proposed Decision (APD). Should the Commission not adopt the APD, we provide critical recommendations in this letter to ensure the improvements made in the Revised Proposed Decision can be implemented.

We look forward to continuing to work with you, staff, and other stakeholders to help design and implement an Energy Savings Program that is truly reflective of the state's equity and climate goals.

We are filing an ex parte notice concurrent with this email.

Best, Maria

MARIA STAMAS
Attorney, Energy & Climate

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November 3, 2016

Dear President Picker and Commissioners Peterman, Randolph, Florio, and Sandoval:

The Natural Resources Defense Council, California Housing Partnership, National Consumer Law Center, Build It Green, Greenlining Institute, and Association for Energy Affordability urge you to vote for Commissioner Sandoval's Revised Alternate Proposed Decision (APD), or alternatively to adopt a few key modifications to the Revised Proposed Decision (PD) released by Judge Colbert last week. Should the Commission not adopt Commissioner Sandoval's Revised APD, the modifications we describe below are critical to ensure the improvements proposed can be implemented and will provide benefits for the underserved ESA-eligible low-income affordable rental sector.

Nearly twenty non-profit stakeholders supported Commissioner Sandoval's ***original*** APD, which allocated up to $200 million in funding for rent-restricted and naturally occurring affordable multifamily properties. In addition, the APD allowed ESAP to serve common area measures, which is critical to achieving savings in the multifamily sector that will help the state reach its important greenhouse gas reduction and climate equity goals.

Since the original APD was released, both the APD and the PD have been revised to provide significantly fewer services for these residents and the properties in which they live. We strongly support Commissioner Sandoval's third Revised APD. However, should the Commission move forward with the revised PD, we recommend the following critical modifications to ensure successful implementation:

1. **The Commission should provide a stand-alone ESAP whole-building multifamily option to avoid leaving significant ESA-adder funds stranded. The Commission should also ensure that the EUC-MF programs have sufficient budgets to accommodate the new funding influx from the ESA-adder.**

While we support the Revised PD creating a pathway for an ESA adder through the EUC-MF programs, serious logistical issues are likely to prevent the new $29 million in multifamily ESA-adders from being leveraged unless the Revised Proposed Decision includes additional modifications. Relying on funding in the general energy efficiency proceeding as the basis of a program for ESA-eligible multifamily customers is tenuous and likely to change as the forthcoming business plans are filed in Rulemaking 13-10-005.

Our first preference is to adopt the multifamily recommendations in Commissioner Sandoval's Revised APD verbatim. If the Commission adopts the Revised PD, we note that the undisputed record documents that EUC-MF programs have annual budgets that are generally between $500,000 to $1 million dollars. In addition, future EUC budgets will not be approved until late in 2017 at earliest, and it is uncertain how such a program in the general proceeding, which relies on a very different cost-effectiveness metric, could absorb an influx of demand and maintain an overall cost-effective portfolio. The very likely outcome is that the new ESAP-adder funding will be stranded and go unspent. We therefore recommend adoption of the Revised APD multifamily recommendations, or at minimum, inclusion of the following modifications to the Revised PD:

- Allow a stand-alone ESA-funded audit for multifamily properties as well as funding for common area and central system measures in those properties.

- In the event that EUC-MF budgets are already expended, allow ESAP funds to cover both the EUC incentive and the ESA-adder of $750.

- Clarify the Revised PD by adding ordering paragraphs that provide implementation direction for leveraging ESA funds with EUC-MF programs and LIWP. These ordering paragraphs should mirror the MFEER implementation ordering paragraphs 50 and 51, and should direct the utilities to file a petition for modification to outline a coordination and funding plan to enable EUC-MF and LIWP to leverage unspent ESA funds. These ordering paragraphs should also direct the utilities to file advice letters in this proceeding to set aside projected unspent ESA funds for leveraging with the Department of Community Services and Development's Low-Income Weatherization Program.

2. Buildings in which 65 percent of tenants meet ESAP income limits should be deemed eligible for multifamily whole-building offerings

The Revised PD should allow for treatment of the whole-building if a minimum of 65 percent of units meet the income threshold, not 80 percent. The CPUC-funded Multifamily Segment Study specified that the ESA Program would likely serve more low-income households by modifying its eligibility requirements. It noted that the guideline for the federal weatherization program is that 66 percent of residents be income-qualified. <u>None</u> of the comparison programs across the country require the stringent level of income verification of 80 percent that ESAP does.[1] Maintaining an 80 percent building-wide income threshold will create implementation challenges, make income eligibility more logistically cumbersome, result in fewer buildings served, and miss an opportunity to reduce bills for this underserved population.

3. The LIWP Balancing Account Proposal Should Instead Be Converted to a LIWP-Adder of $750 per unit.

The proposal to leverage LIWP and ESAP should rely on a $750/unit adder. This approach will simplify and streamline coordination between the two programs, which currently employ very different implementation models that have historically been very challenging to coordinate. ESAP measures also do not cover in-unit water heaters or HVAC. Providing a monetary adder affords the flexibility to use a LIWP-funded audit to best direct funds for maximal energy savings and bill reductions.

4. The Commission should ensure energy savings valuation methodologies and cost-effectiveness orders do not undermine the ability to serve ESAP customers.

a. ***Allow authorization of new measures so long as their effect on <u>Portfolio-level</u> Cost Effectiveness is neutral***

The Revised PD requires the utilities to submit measure-specific cost-effectiveness calculations prior to approval of measures such as LEDs. Instead, the Commission should ensure new prescriptive measures are evaluated based on their overall effect on <u>the entire program's</u> cost-effectiveness value, not by measure-specific thresholds. This requirement to evaluate individual measures' cost-effectiveness contravenes the Commission's previous decision D. 14-08-030 to evaluate measures at the program level, and displaces five years' worth of work conducted by the cost-effectiveness working group.

A TRC measure-specific threshold will impose a significant barrier on the deployment of new measures that this program has never previously had to meet. In addition, there is no discussion of using such a threshold on the record to form the basis of this requirement. Instead, we recommend the Commission authorize new measures so long as they do not reduce the program-level adjusted-ESACET threshold, as calculated in each of the utilities' 2015-2017 applications.

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[1] See Multifamily Segment Study, p. 193.

b. ***Ensure that any future incorporation of Deemed Savings Values are based on existing conditions.***

The Revised PD suggests impact evaluations and potential studies examine using DEER values, which only account for above code savings.[2] We strongly urge against incorporating DEER values without also adjusting them to include savings based on existing conditions. The long-held policy in the ESA proceeding has been to base savings on existing conditions. There is no record in this proceeding to support a change in policy. Instead, the Commission should encourage coordination with the California Technical Forum to recommend prospective savings values and revisions to EM&V methodologies for the low-income program as currently proposed in the Revised APD.

5. The Commission should provide meaningful opportunities for stakeholder involvement and transparency via the creation of a Multifamily Working Group and by creating opportunities to evaluate new and existing measures.

Numerous ongoing issues need to be addressed to ensure successful implementation of the new multifamily provisions in either Decision. We urge the Commission to add to the Proposed Decision a dedicated multifamily working group, as supported by Pacific Gas & Electric, NRDC, California Housing Partnership, and National Consumer Law Center. This group would consult with the Commission and utilities on development of new offerings. We recommend the Revised PD adopt the language in Commissioner Sandoval's Revised APD on p. 209, which outlines the creation and duties of such a group.

Similarly, Commissioner Sandoval's Revised APD provides new opportunities for stakeholder involvement on new and existing measures. We recommend the Revised PD adopt the relevant provisions on p. 129 of the Revised APD, including enabling non-utility parties to propose new measures for consideration, allowing for adjustments to existing measures, or retiring measures following the Guidance Decision for the next cycle.

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[2] Revised Proposed Decision, p. 179.

6. **The Commission should align the Ordering Paragraphs in the Revised PD with its new direction to utilities to modify On-Bill Financing so that loan terms are more accessible to the multifamily market.**

We strongly support the Revised PD provisions on p. 162 where "the Commission finds it reasonable to "direct modifications" to On-Bill Financing so that loan terms are more accessible to the multifamily market, and "[s]pecifically, the financing limits should be expanded to $250,000 with the terms expanded to ten-year for multifamily properties that meet our criteria specified in this Section." To ensure that the Commission's intent is realized, we urge the Commission to explicitly direct the utilities to make these modifications in the ordering paragraphs.

Thank you for your consideration.

Sincerely,

Maria Stamas Natural Resources Defense Council	Amy Dryden Build It Green
Stephanie Wang California Housing Partnership	Stephanie Chen Greenlining Institute
Charlie Harak National Consumer Law Center	Andrew Brooks Association for Energy Affordability

APPENDIX 1: SUMMARY OF KEY DIFFERENCES BETWEEN THE PROPOSED AND ALTERNATE DECISIONS ON MULTIFAMILY ISSUES

Alternate Proposed Decision	Revised Proposed Decision
• Provides multifamily treatment to buildings where 65% of tenants are income qualified and allows for advice letter process to revise downwards if needed for broader enrollment	• Limits multifamily treatment to buildings where 80% of tenants are income qualified, reducing the amount of eligible properties and making enrollment more cumbersome.
• Provides full cost of common area and central system measures, subject to cost-effective Audit findings	• Provides additional $750 per unit, contingent on funding available in existing EUC-MF programs. The undisputed record in this proceeding makes clear that existing EUC-MF programs generally have budgets between $500,000 and $1 million and have insufficient budgets to accommodate the ESAP eligible multifamily population. • There is also uncertainty if the program could absorb additional demand and maintain a level of cost-effectiveness that would maintain an overall portfolio cost-effectiveness. • This approach requires additional implementation direction to be effective.
• Provides $100 million in previously unspent funds for the new multifamily component, with option to extend to $125 million via advice letter.	• Provides $29 million in funding, contingent on participation in EUC-MF programs. The undisputed record shows that EUC-MF programs have insufficient budgets to accommodate ESAP properties
• Evaluates new measures at the portfolio level, consistent with the Commission's clear direction over the past 5+ years	• Uses measure-specific cost effectiveness thresholds that will likely limit new energy savings measures such as LEDs
• Allows active stakeholder participation to recommend new measures and consider measure retirement through the mid-cycle working group, which will ensure transparency and an opportunity to improve on an ongoing basis	• Declines consideration of new measures in mid cycle working group and no requirement to consult with parties prior to proposing new measures. Limits transparency and locks in the program for 3 years.
• Provides technical assistance for multifamily owners in Aliso Canyon affected area	• Provides no additional technical assistance for multifamily properties provides technical assistance for multifamily owners in Aliso Canyon

	affected area
• Program cycle through 2020 with numerous opportunities for mid-cycle improvements	• Program cycle limited to 2019, would likely result in bridge funding and program start and stops
• Encourages coordination with California Technical Forum to recommend prospective savings values and revisions to EM&V methodologies for the low-income program.	• Encourages use of DEER values based on above code savings despite longstanding ESAP program policy of using existing conditions for energy savings valuations. Subjecting low income programs to the current process to prove existing conditions would very likely eliminate the benefit of capturing stranded savings and would undermine opportunities to serve these customers.